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Annual Report 1958

United Whelan Corporation

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UNITED WHELAN CORPORATION

Executive and General Offices: **82 39th Street, Brooklyn 32, N. Y.**

Branch Offices and Warehouses

725 South Wells Street, Chicago, Ill.
2928 Leonis Blvd., Los Angeles 58, Calif.
239-243 N.W. 28th St., Miami 37, Fla.

Board of Directors

Leo Bertisch*	William L. Pfeiffer
George P. Frenkel	Nat Polinsky
Charles Green*	Ted M. Segal*
J. Raymond McGovern*	Harry T. Silverman*

Milton Soref

* Member—Executive Committee

Officers

Charles Green ..... *Chairman of the Board*
Harry T. Silverman ..... *Chairman of Executive Committee*
Leo Bertisch ..... *President*
Benjamin S. Thaw ..... *Executive Vice President*
Paul Olsen ..... *Vice President, Treasurer and Comptroller*
Alvah K. Parent ..... *Vice President and Secretary*
Harry M. Chichester ..... *Vice President*
Herman H. Goldstein ..... *Vice President*
John C. Hutsler ..... *Vice President*
Charles J. Sewall ..... *Assistant Secretary and Assistant Treasurer*

BRIEF COMPARATIVE HIGHLIGHTS

	1958	1957	1956
Sales and shipments to agents.....	$49,595,973	$52,568,514	$54,823,929
Net income after Federal income taxes	860,002	744,760	676,965
Earnings per share (Common).....	55¢	46¢	33¢
Dividends (Common)	30¢(A)	24¢(B)	20¢(C)
Book value of Common Stock.....	$7.08	$6.75	$6.13
Shares of Common Stock outstanding at end of year	1,470,530	1,502,451	1,892,908
Ratio of Current Assets to Current Liabilities	2.9 to 1	2.6 to 1	2.8 to 1
Units in operation: Stores	131	136	146
Agencies	494	534	583

(A) Declared January 26, 1959 (four quarterly dividends of 7½¢ each).

(B) Declared January 24, 1958 (four quarterly dividends of 6¢ each).

(C) Declared January 24, 1957 (two semi-annual dividends of 10¢ each).

March 23, 1959

To the Stockholders of

UNITED WHELAN CORPORATION:

We are pleased to report further progress for your Corporation in the year ended December 31, 1958.

Operating results for the month of December 1958 (normally our largest profit month) were adversely affected by a newspaper strike of approximately three weeks' duration in the New York Metropolitan area where nearly 50% of our stores are located. Despite this unfortunate situation, our profits after taxes for the year 1958 showed a substantial increase over previous years as indicated in the brief comparative highlights.

During 1958, seven new self-service stores were opened; four more will open in 1959. Continuing our policy of the past several years, a number of unprofitable and marginal stores were sold or closed.

In the early part of February 1959, we completed the purchase of all of the outstanding stock of Crawford Clothes, Inc., a chain of men's clothing stores operating sixty-five stores along the Eastern Seaboard area. While this had been a very successful chain over a period of many years, during the last three years it has lost money. It is our hope that, in a reasonable period of time, we will be able to eliminate any further losses and convert this operation into a profitable one again. However, this acquisition was made on such a basis that adequate reserves against losses during the reconstruction period seem assured.

On the following pages are the Consolidated Financial Statements of the Corporation and its subsidiaries containing details of their financial condition at December 31, 1958 and operating results for the year 1958 (including comparative figures for 1957), together with our auditors' report.

On behalf of the Board of Directors,

Chairman of the Board

President

UNITED WHELAN CORPORATI

COMPARATIVE CONSO

As at December

ASSETS

	1958	1957
CURRENT ASSETS:		
Cash	$ 2,486,054	$ 2,175,640
Investments, at cost (which approximates market quotations)	1,772,393	2,048,294
Accounts and notes receivable, and merchandise shipments to agents, less reserves—Note A	1,104,886	1,191,602
Inventories of merchandise and supplies, at cost or market whichever is lower	7,122,819	7,048,402
Prepaid insurance, taxes and rent	341,305	336,255
TOTAL CURRENT ASSETS	12,827,457	12,800,193
OTHER ASSETS—Note A:		
Merchandise shipments to agents	320,575	370,875
Notes and accounts receivable due after one year, etc.	159,001	235,741
	479,576	606,616
FIXED ASSETS, at cost or less:		
Furniture, fixtures and equipment (includes approximately $1,300,000 on which depreciation provided is equal to asset)	4,333,455	4,395,536
Less: Depreciation	3,086,420	3,168,588
	1,247,035	1,226,948
Improvements to leaseholds, less amortization	1,530,831	1,686,570
	2,777,866	2,913,518
DEFERRED CHARGES	162,425	156,791
	$16,247,324	$16,477,118

The accompanying Notes to Financial Statements are an integra

AND SUBSIDIARY COMPANIES

ATED BALANCE SHEET

, 1958 and 1957

LIABILITIES

	1958	1957
CURRENT LIABILITIES:		
Accounts payable	$ 2,541,739	$ 2,732,733
Taxes accrued and withheld, other than Federal income taxes	626,703	665,051
Accrued expenses and other liabilities	637,945	826,515
Provision for Federal income taxes	574,494	608,656
TOTAL CURRENT LIABILITIES	4,380,881	4,832,955
CAPITAL STOCK AND SURPLUS—Note B:		
Capital Stock:		
Convertible Preferred Stock, par value $100.00 a share, $3.50 dividend cumulative (each share exchangeable for four shares of Common Stock):		
Authorized—50,000 shares		
Issued—14,777 shares	1,477,700	1,477,700
Common Stock, par value 30¢ a share:		
Authorized—3,000,000 shares		
Issued—2,307,308 shares	692,192	692,192
Capital Surplus	6,040,258	6,040,258
Earned Surplus	7,555,662	7,101,916
	15,765,812	15,312,066
Less: Treasury stock, at cost	3,899,369	3,667,903
	11,866,443	11,644,163
LONG-TERM LEASES, CONTINGENCIES AND OTHER COMMENTS—Notes C and D		
	$16,247,324	$16,477,118

art of this statement and should be read in conjunction herewith.

UNITED WHELAN CORPORATION AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

For the Years Ended December 31, 1958 and 1957

	1958	1957
Net sales and shipments to agents—Note A	$49,595,973	$52,568,514
Income from display advertising, sundry commissions, etc.	1,204,837	1,292,313
	50,800,810	53,860,827
Cost of goods sold and cost of shipments to agents, and selling, general and administrative expenses, exclusive of depreciation and amortization	48,931,502	51,867,601
	1,869,308	1,993,226
Depreciation and amortization (exclusive of amounts applicable to real estate operations)	486,278	535,630
	1,383,030	1,457,596
Other income:		
Profit on sales of securities	396,659	5,965
Dividends and interest	36,501	137,923
Miscellaneous	78,639	61,418
	511,799	205,306
	1,894,829	1,662,902
Other deductions:		
Loss (profit) on disposition of fixed assets and leases	138,518	(48,038)
Net loss from real estate operations (including depreciation and amortization of $47,873 in 1958 and $51,656 in 1957)	112,854	117,750
Miscellaneous	28,455	83,430
	279,827	153,142
Net income before Federal income taxes	1,615,002	1,509,760
Provision for Federal income taxes	755,000	765,000
Net income	860,002	744,760
Earned Surplus as at beginning of year	7,101,916	6,779,806
	7,961,918	7,524,566
Dividends on Convertible Preferred Stock	49,647	54,259
Dividends on Common Stock	356,609	368,391
	406,256	422,650
Earned Surplus as at end of year	$ 7,555,662	$ 7,101,916

The accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

UNITED WHELAN CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS
As at December 31, 1958

GENERAL:

Reference should be made to the previously issued annual report for the Accountants' Report and notes applicable to the consolidated financial statements as at December 31, 1957, and for the year then ended. Certain items in such statements have been reclassified for the purpose of comparison.

NOTE A—MERCHANDISE SHIPMENTS TO AGENTS:

In accordance with the Corporation's established policy, net sales and shipments to agents, as shown in the accompanying consolidated statement of income and earned surplus, include amounts representing merchandise shipments to agents who operate retail outlets, ownership of which merchandise, under the terms of the agency agreements, remains with the Corporation until the merchandise is sold by the agents. Amounts owing by agents for merchandise sold as at December 31, 1958, and the accountability of agents as at that date for unsold shipments of merchandise (other than initial inventory allowances) together total $637,747. Of this amount, $618,310 is included in the accompanying consolidated balance sheet under Current Assets in "Accounts and notes receivable, and merchandise shipments to agents, less reserves," and $19,437 is included under Other Assets. The initial inventory allowances, for which agents are not required to make settlement until the termination of the agency, are included under Other Assets.

NOTE B—CAPITAL STOCK AND SURPLUS:

Treasury stock as at December 31, 1958, consists of 480 shares of the Corporation's Convertible Preferred Stock (all acquired during the year) and 836,778 shares of its Common Stock (of which 31,921 shares were acquired during the year).

NOTE C—LONG-TERM LEASES AND CONTINGENCIES:

The Corporation and its subsidiaries in the ordinary course of business lease all store properties. At December 31, 1958, there were 110 leases expiring more than three years after that date for which the minimum annual rental was approximately $1,800,000. The majority of these leases provide for additional rental based upon percentages of sales in excess of predetermined bases and upon other factors.

The Corporation is contingently liable with respect to the guarantee of another's obligation approximating $155,000.

During 1958, the Corporation sold its entire holdings of 60,200 shares of Common Stock of Lehn & Fink Products Corporation at $28 a share, realizing a profit thereon. Subsequent thereto, certain lawsuits were instituted against the Corporation seeking recovery of a portion or all of such profit. In connection therewith, the Corporation has asserted cross-claims for rescission of the sale of the shares. These lawsuits and cross-claims are presently pending. The Corporation is advised by its counsel that it is impossible to predict the ultimate determination of the issues involved, but that the Corporation's liability, if any, should not exceed $50,000, less applicable income taxes. Accordingly, a portion of the profit in an amount equivalent thereto has been deferred.

NOTE D—OTHER COMMENTS:

On February 2, 1959, the Corporation acquired all of the outstanding stock of Crawford Clothes, Inc., a manufacturer and retailer of men's clothing.

ACCOUNTANTS' REPORT

S. D. LEIDESDORF & CO.
Certified Public Accountants
125 Park Avenue
New York, N. Y.

To the Stockholders

UNITED WHELAN CORPORATION
New York, N. Y.

We have examined the consolidated balance sheet of United Whelan Corporation and subsidiary companies as at December 31, 1958, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of United Whelan Corporation and subsidiary companies at December 31, 1958, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.
March 4, 1959

COUNSEL

ARANOW, BRODSKY, BOHLINGER, EINHORN & DANN, NEW YORK, N. Y.

TRANSFER AGENT

Convertible Preferred Stock and Common Stock
The Marine Midland Trust Company, New York, N. Y.

REGISTRAR

Convertible Preferred Stock and Common Stock
The New York Trust Company, New York, N. Y.

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